

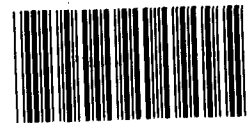
GAO

Fact Sheet for the Honorable
Beryl Anthony, Jr., House of
Representatives

November 1990

RESOLUTION TRUST CORPORATION

Real Estate Activities in North Little Rock, Arkansas



142629



General Government Division

B-241276

November 13, 1990

The Honorable Beryl Anthony, Jr.
House of Representatives

Dear Mr. Anthony:

On March 5, 1990, Chairman J. J. Pickle, Subcommittee on Oversight, House Committee on Ways and Means, requested certain information on Resolution Trust Corporation (RTC) activities in six geographic areas. This fact sheet addresses questions on RTC real estate holdings and property management activities in one of those areas--North Little Rock zip codes 72114, 72116, 72117 and 72118 in the Second Congressional District of Arkansas. Chairman Pickle asked that we send this information directly to you because of your interest in this area. The five other areas are being covered in separate fact sheets, including one on Pine Bluff, Arkansas, that is also being sent to you at Chairman Pickle's request.

Specifically, the Chairman asked for information on (1) thrifts and real estate assets placed under RTC control; (2) real estate assets that have been sold and the purchasers of those sold for \$1 million or more; (3) the number of real estate agents that has been qualified or disqualified for RTC contracts and for those disqualified, the reasons why; and (4) the managers of any high-value real estate properties in the inventory and what they are paid. The following discussion provides this information.

THRIFTS AND REAL ESTATE ASSETS
PLACED UNDER RTC CONTROL

The Office of Thrift Supervision initially places troubled thrifts under the direct supervision of RTC--which serves as conservator¹ or receiver²--when certain conditions, such as insolvency, capital inadequacy, or unsafe and unsound practices, exist.

¹A conservator is appointed to, among other things, operate the thrift as a going concern, and preserve and conserve the assets and properties of the thrift.

²A receiver is charged by law with the duty of winding up the affairs of a bank or savings association.

In Arkansas, RTC had nine thrifts with total assets of about \$2.6 billion in conservatorship as of June 30, 1990. It also controlled the remaining assets of five thrifts in Arkansas that had been resolved, that is, sold to new owners or closed if no purchaser had been found. None of the conservatorships or resolved thrifts were located in North Little Rock, Arkansas, but two thrifts in conservatorship in Little Rock, Arkansas, have branch offices in North Little Rock. Savers Savings Association and First Savings of Arkansas each had three branch offices in North Little Rock.

Within the review area, we identified seven real estate assets, collectively listed for sale at about \$3.3 million, that were owned by thrifts under RTC control. Table 1 shows the specific real estate assets located in the review area that are owned by thrifts in the RTC conservatorship program.

Table 1:
Real Estate Assets Under RTC Control
in the Review Area, as of March 31, 1990

<u>Property type</u>	<u>Asset number</u>	<u>Address</u>	<u>List price</u>
Apartments	1035988-5	700 N. Hills Blvd. N. Little Rock, AR 72114	\$2,600,000
Residence	8308-1012	23 Mine Hill Drive N. Little Rock, AR 72118	70,000
Restaurant	3360-01	6503 Warden Road N. Little Rock, AR 72116	385,000
Commercial office	2608	513 Main Street N. Little Rock, AR 72114	84,000
Commercial land	2638	Hwy 70 and 391 Pulaski County, AR 72116	34,650
Residential lots	SNDL SBD	Sandlewood Subdivision Pulaski County, AR 72116	36,225
Land	SNDL 6WD	Sandlewood Subdivision Pulaski County, AR 72116	46,725

REAL ESTATE ASSETS SOLD

Within the review area, thrifts in RTC's conservatorship program had sold six real estate assets for about \$309,000 as of June 30, 1990. Table 2 list these assets.

Table 2:
List of Properties Within The Review Area
Sold By RTC, as of June 30, 1990

<u>Property type</u>	<u>Asset number</u>	<u>Address</u>	<u>Sale price</u>
Residence	1040547-2	2 Dove Creek N. Little Rock, AR 72116	\$119,000
Residence	10331066	10516 Old Conway Hwy N. Little Rock, AR 72118	8,200
Residence	8308-1011	1217 Nicole Street N. Little Rock, AR 72116	44,000
Residence	1283	31 Coronado Circle N. Little Rock, AR 72116	80,000
Residential	2437	End of North Oaks Drive N. Little Rock, AR 72118	15,400
Commercial	3360	Warden Road Sherwood, AR 72118	42,500

REAL ESTATE BROKER REGISTRATION

RTC procedures do not require real estate agents to register with it because state laws and regulations require agents to work through licensed brokers. However, real estate brokers interested in handling RTC property are required to register. Brokers must certify that their employees or subcontractors, including real estate agents, meet qualification and integrity requirements. As of July 20, 1990, 502 brokers had registered to provide real estate brokerage services in North Little Rock. One of these brokers, Southern Inn Management, Inc., is located in North Little Rock--zip code 72116. An additional 27 brokers are located in Arkansas, but not in North Little Rock. The remaining 474 brokers are from other states.

RTC may disqualify brokers, or any other contractors, on the basis of information provided on the Fitness and Integrity Certifications Form that must be submitted with the firm's Contractor Registration Request. As of July 31, 1990, none of the brokers with offices located in the review area had been disqualified. In fact, as of that date, only 19 firms of any type nationwide had been disqualified from being considered for RTC work. Firms may ask for a reconsideration of their status at any time after they have been disqualified.

The fact that a firm is registered with RTC and its name is included on the contractor registry simply enables the firm to be considered for RTC contracts and receive solicitations for services. Inclusion in the registry does not imply that the firm is qualified to do work for RTC or that it is an approved RTC contractor. RTC contracting procedures require contracting officers to determine qualifications and obtain additional ethics certifications from potential contractors each time a firm is considered for a contract.

PROPERTY MANAGEMENT

RTC-controlled thrifts owned only one high-value real estate asset in North Little Rock--the Country Club Apartments. The owner, Savers Savings Association, contracted with First Capital Management Group of Pine Bluff, Arkansas, for property management services for the property. Under the contract, First Capital received 5 percent of gross revenue for its services.

OBJECTIVES, SCOPE, AND METHODOLOGY

To obtain information requested by the Chairman, we gathered data primarily from RTC's Central Regional Office; thrifts under RTC's control in Little Rock, Arkansas; and RTC's national real property inventory database. We used information from RTC's March 31, 1990, database and updated it to June 30, 1990, with data obtained from thrifts under the RTC's control in Little Rock and Batesville, Arkansas. We did not verify the computerized data; therefore, we cannot attest to the completeness or accuracy of the property listings.

RTC has experienced considerable problems with its real property inventory system. It was aware that data in the system were not always complete and accurate and has been trying to clean up the data as it updates the inventory. Because of these data quality problems, RTC placed a

B-241276

disclaimer on the database magnetic tapes and floppy disks. The disclaimer stated that

" . . . information contained in the computer product is not guaranteed and is submitted subject to, without notice, correction, errors, prior sale or withdrawal from the market. The RTC, now and forever, makes no guarantee, warranty, or representation, expressed or implied, as to the location, quality, kind, character, size, description, or fitness for any use or purpose, of any property listed and/or described in the computer product."

RTC is in the process of hiring a contractor to develop and operate a completely new system for its automated real property inventory records. It expects this new system to be in place during the first quarter of 1991. Since RTC solicited for a system that was operational, it does not expect the delays sometimes experienced in systems development.

We discussed the results of our work with the managing officials of RTC's Central Region, who agreed with the facts presented in this document.

We did our work from April through July 1990 in accordance with generally accepted government auditing standards.

- - - - -

As agreed with the Subcommittee, no further distribution of this fact sheet is planned; however, we will make copies available to other interested parties upon request.

The major contributors to this fact sheet are listed in the appendix. If you have any questions, please contact me on 275-8387.

Sincerely yours,



J. William Gadsby
Director, Federal
Management Issues

MAJOR CONTRIBUTORS TO THIS FACT SHEET

GENERAL GOVERNMENT DIVISION, WASHINGTON, D.C.

Gaston L. Gianni, Jr., Associate Director, Federal Management Issues
Ronald L. King, Assistant Director, Federal Management Issues
Stuart M. Kaufman, Senior Social Scientist

KANSAS CITY REGIONAL OFFICE

George Jones, Evaluator-in-Charge
Raymond E. Hiel, Evaluator
Hye Y. Meador, Evaluator

(247014)

Ordering Information

The first five copies of each GAO report are free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

**U.S. General Accounting Office
P. O. Box 6015
Gaithersburg, MD 20877**

Orders may also be placed by calling (202) 275-6241.

**United States
General Accounting Office
Washington, D.C. 20548**

**Official Business
Penalty for Private Use \$300**

<p>First-Class Mail Postage & Fees Paid GAO Permit No. G100</p>
--